

APPENDIX N (BACKGROUND AND RESOURCES – CALIFORNIA CHARITIES REGULATION)

There is a keen public interest in preventing the misuse of charitable contributions. California's Supervision of Trustees and Fundraisers for Charitable Purposes Act ("Charitable Purposes Act" or "Act") regulates those raising and receiving charitable contributions. The "Nonprofit Integrity Act of 2004" (Senate Bill 1262, Chapter 919) tightened Charitable Purposes Act requirements for charitable organization administration and fundraising.

The Charitable Purposes Act rules cover California public benefit corporations, unincorporated associations, and trustee entities. They may include similar foreign corporations doing business or holding property in California. Generally, an organization is subject to the registration and reporting requirements of the Charitable Purposes Act if it is a California nonprofit public benefit corporation or is tax exempt under Internal Revenue Code Section 501(c)(3), and not exempt from reporting under Government Code Section 12583. Most educational institutions, hospitals, cemeteries, and religious organizations are exempt from the Charitable Purposes Act requirements.

Key new Charitable Purposes Act requirements affect executive compensation, fundraising practices and documentation. Charities with over \$2 million of revenues (excluding grants and service-contract funds a governmental entity requires to be accounted for) have new audit requirements. Charities required to have audits must also establish an audit committee whose members have no material financial interest in any entity doing business with the charity.

Organizations or persons that receive or raise charitable contributions are likely to be subject to the Charitable Purposes Act. Proposer must determine if it is subject to the Charitable Purposes Act and certify either that:

- It is not presently subject to the Act, but will comply if later activities make it subject, or,
- If subject, it is currently in compliance with the Act.

Resources

The following references to resources are offered to assist Proposer who engages in charitable contributions activities. However, Proposer is ultimately responsible for researching and determining its own legal obligations and properly completing its compliance certification (Appendix D (Required Forms and Documentation), Part I (Required Forms), Exhibit 19 (Charitable Contributions Certification)).

In California, supervision of charities is the responsibility of the Attorney General, whose website (<http://oag.ca.gov/>) contains helpful information for regulated charitable organizations.

1. Laws Affecting Nonprofit Organizations

- 1.1 The Charitable Purposes Act is found at California Government Code Sections 12580 through 12599.7. Implementing regulations are found at Title 11 California Code of Regulations Sections 300 through 312. In California, charitable solicitations (“advertising”) are governed by Business and Professions Code Sections 17510 through 17510.95. Regulation of nonprofit corporations is found at Title 11 California Code of Regulations Sections 999.1 through 999.5 (amended regulations are pending). Links to all of these rules are available online at: <http://oag.ca.gov/charities/laws>.

2. Support for Nonprofit Organizations

- 2.1 Several organizations offer both complimentary and fee-based assistance to nonprofit organizations, including the Center for Nonprofit Management, 606 S. Olive St #2450, Los Angeles, CA 90014 (213) 623-7080 <http://www.cnmsocal.org/>, and statewide, the California Association of Nonprofits, <http://www.calnonprofits.org/>. Both organizations’ websites offer information about how to establish and manage a charitable organization.
- 2.2 The statements provided herein, including the organizations listed in Subparagraph 2.1, is for informational purposes only. Nothing contained in this Subparagraph shall be construed as an endorsement by the County of Los Angeles of such organizations.